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COMMANDERS DIGEST

ZERO BASE BUDGETING

DoD's Budgetary Reform

A Message From the Secretary of Defense

This edition of the *Commanders Digest* is devoted to "zero-base budgeting." It should bring commanders up to date on the changes that are taking place in the Federal budget process. This issue-like zero-base budgeting itself—is not aimed primarily at budgetary specialists. When President Carter speaks of zero-base budgeting, we in the Department of Defense should recognize that his words are not intended only for the financial managers among us. Rather, the Commander-in-Chief is addressing his commanders, advising them that zero-base budgeting is the application of good sense to the budgetary process.

Defense commanders and managers share my responsibility to assure the President that we have considered the totality of Defense requirements, and not only the new additions. In this connection, I will expect the military departments and Defense agencies to provide their views on priorities—where reductions would do the least harm, and where increases would do the most good.

Each activity must be reviewed from the ground up to determine whether it should be continued at all and, if so, at what level. Requests will not be supported if the only justification is that the activity is being carried on today. The President has made a commitment to the American people that he will not propose any spending programs that do not meet a clear test of need. Working together, we can assure that our budget proposals meet this test.

Harold Brown

IMPLEMENTING ZERO-BASE BUDGETING IN THE DEPARTMENT OF DEFENSE

Budgetary reform has generally been the province of specialists and academicians, convened in presidential commissions, who produce lengthy reports after a long period of study and consideration. This isn't the case with respect to zero-base budgeting (ZBB). Here the initiative came from the President himself. He spelled out his objectives in a short and clear memorandum during February—after less than a month in office. His conviction is based upon practical experience with this process—not upon conversion to a theory.

ZBB also differs from past budgetary changes in terms of impact. The changes are not confined to headquarters nor to budgetary specialists and staff offices. Rather, the impact of ZBB will be felt by managers at all levels in the Executive Branch. ZBB is intended not only to affect the way budgets are developed in the Department of Defense; it is intended also to change the way business is done.

In discussions with Secretary of Defense Harold Brown, the President has emphasized that DoD's planning-programing-budget system (PPBS) is an excellent system. It is not intended that the existing PPBS be supplanted. Rather, DoD's objective in implementing ZBB is to build upon the existing system, modifying it as necessary to provide more effective tools for Defense managers.

In implementing ZBB in DoD, there are five aspects of budgetary procedures that are especially important. These are the areas which require the greatest emphasis as DoD integrates its planning, programing and budgetary system into the zero-base approach.

Program Review

The first of these areas involves achieving real zero-base consideration of the entire DoD budget. Every activity, every line-item in the budget, must meet this test: does it have to be conducted at all?

Secretary Brown has directed that ". . . each activity or program must be reviewed from the ground up to determine whether it should be continued at all and, if so, at what level. Budget requests must be justified in terms of a cost-effective contribution to national defense or in terms of an explicit statutory requirement. In no case should funds be requested simply because an activity has been conducted in the past."

It also is essential that DoD seek alternative and less-costly ways of meeting its objectives, starting from the lowest levels within the Department. What is required here is a fresh new look at Defense's time-honored ways of doing things. Each activity should be considered as if it were being proposed for the first time. If it were not already being done that way, would it be proposed to start doing it that way? If the answer is no, it is time to stop.

Manager Involvement

A second area of emphasis, inseparable from the first and indeed at the heart of the ZBB effort, is the matter of manager involvement. This means that managers—those with the responsibility for the conduct of programs—must play a greater role in the budgetary process. The line managers are those best equipped to appraise the prospects for budgetary change and the consequences of various alternatives, and they bear the responsibility for carrying out the programs. This manager involvement must extend to the lowest practicable level.

Secretary Brown directed that "involvement must commence at the point where a manager makes significant decisions on the amount of spending and the scope, direction or quality of work to be performed." To put it another way, the manager most likely to have money-saving ideas is the manager who spends the money. Under this approach, the Defense budget will come to be even more of a bottom-up or grass-roots process than it has been. The budget will be a better tool for line managers at all levels, and less the province of staff specialists at headquarters.

Operations Area

A third area of emphasis is the operations portion of the budget. The investment area of the Defense budget (procurement, research, development, test and evaluation, and construction) has essentially been on a zero base. Individual projects or line items are considered on such a base, and many of them are in fact zeroed out—either by the program managers themselves, or following budget review. The operations area, which comprises some 70 per cent of the Defense budget, is the prime candidate for improvement.

A fourth aspect in ZBB implementation is the matter of highlighting issues for management decision, and the presentation of clear areas of choice. Managers within the Department will no longer submit budget requests up the line in terms of a single figure. Rather, each manager will present a range of budget figures. Increments above the minimum essential level will be clearly described and priced, and the manager will indicate his views on priorities (ranking) among these various increments.

Managers are encouraged to be innovative in presenting alternative ways for carrying out their programs. This approach to the budget involves a major departure from long-standing budgetary practices in Defense and in other agencies as well. Rather than presenting and defending a single figure, the manager is required to share with those up the line his views upon a range of alternatives for his activity.

Phase Integration

The fifth area of emphasis in implementing ZBB promises to be especially significant. This is the matter of more closely integrating the planning and budget phases. In practical terms, this requires the involvement of top officials early in the cycle. President Carter devoted some 25 hours this spring to a preliminary review of the fiscal year (FY) 1979 budget with heads of the executive agencies. Secretary Brown has been devoting a great deal of his time to considering issues long before the traditional budget season. This should be a great help throughout the entire process. The plans and programs are shaped earlier in the process by the budgetary realities; the budget better conforms to the planning and programing decisions reached.

The President has outlined his major objectives. Defense's approach must be flexible, to allow for differences in organizational patterns among the Services and Defense agencies inherent in differences in missions. The locus of decision-making also differs among the various budget categories. Some operating funds, for example, are managed at very low organizational levels within the Services and agencies, while investment decisions are made at much higher organizational levels. Defense implementation of the ZBB concept recognizes these variations in the way it manages and permits the Service systems to accommodate it. The following discussions illustrate the ZBB implementation efforts which have been taking place in the military departments.

DEFENSE NEWS BRIEFS

TRIDENT Slips Six Months

Delivery of the lead TRIDENT submarine will be delayed until October 1979 because of construction, manning and production problems at General Dynamics' Electric Boat Division at Groton, Conn.

The company forecasts, however, that slippage for succeeding TRIDENTs will be less and that by the sixth month the schedule for delivering the newest submarine-launched ballistic missile system will be as originally planned.

Danish NATO Exercise

ARROW EXPRESS, a NATO exercise involving 16,000 troops from nine countries, is taking place in Denmark during September to demonstrate the Alliance's capability to deploy quickly to the territory of any threatened member.

Reserve Modernization

Air Force plans to realign and modernize seven Air National Guard and Air Force Reserve units during FY 1978, involving tactical, air defense, and strategic missions.

Six of the units are receiving newer aircraft, while one unit is becoming the centralized location for all EB-57s.

Missile Testing Continues

The Navy made its sixth successful launch recently of the TRIDENT submarine ballistic missile from a test pad at Cape Canaveral.

About 20 more phase-one pad launches are planned before phase-two testing from a POSEIDON submarine and then the final phase-three testing from a TRIDENT submarine during the summer of 1979.

New AFJROTC Schools

Air Force has selected four high schools to host Air Force Junior Reserve Officers Training Corps units—Brentwood, N.Y., High School; Island Tries High School at Levittown, N.Y.; Keyser, W.Va., High School, and John Muir High School at Pasadena, Calif.

New Spruance Destroyer

The 18th ship in the Spruance class of multi-mission destroyers—Moosbrugger (DD-980)—was christened recently in ceremonies at Pascagoula, Miss.

The ship, named for the late VAdm. Frederick Moosbrugger, was christened by his granddaughter. Adm. (Ret.) Arleigh A. Burke, who served three terms as Chief of Naval Operations, also took part in the event.

Discharge Review

The special Discharge Review Program for Vietnam-era veterans with General or Undesirable Discharges has passed the 50,000 mark.

As of mid-August, 52,871 inquiries had been received, with some 32,333 found eligible.

The program is scheduled for termination Oct. 4, 1977.

NASA-DoD SPACE SHUTTLE

DoD has two major roles to play in NASA's Space Orbiter program successfully test-flown in August—that of being the major support to NASA and of being the major user of the space shuttles' payload orbiting operations.

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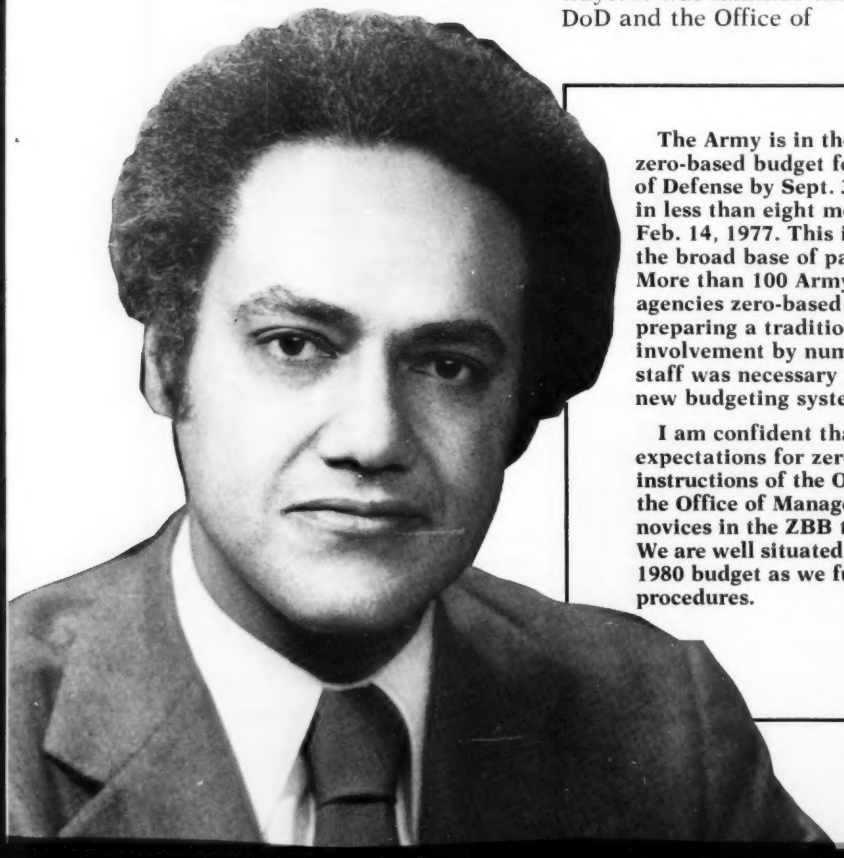
The Corne Army

The Army launched its program to implement zero-base budgeting on March 30, 1977, with the formation of a ZBB concepts study group chaired by the Director of Army Budget. The group's charter specified that various approaches to implementing ZBB be explored and that one of the examined approaches be proposed for use in formulating the FY 1979 Army budget. Study parameters were generally unconstrained, but a short time was available to complete the study. The Army was invited to brief the Secretary of Defense on its concept by April 8, a very short period to complete a study of such wide-ranging implications for resource managers throughout the Army. The main task was to identify the appropriate decision unit structure for Army use. The group proposed the appropriation structure (Army Management Structure) for use in constructing decision units for FY 1979. This structure was attractive in several ways. It was familiar throughout DoD and the Office of Management and Budget, and well defined and compatible with existing data information systems. This choice made ZBB attainable for FY 1979 because the ZBB concepts were being introduced into the program/budget cycle very late. OSD, and later OMB, endorsed the concept as presented.

The next step was to construct decision units, formats and



The Army is in the final stage of completing its first zero-based budget for submission to the Office of the Secretary of Defense by Sept. 30, 1977. The task will have been completed in less than eight months following the President's directive of Feb. 14, 1977. This is especially significant when we consider the broad base of participation in the Army budget process. More than 100 Army installations and 19 major commands and agencies zero-based their FY 1979 budget, in addition to preparing a traditional budget. Active participation and involvement by numerous organizations as well as the Army staff was necessary to plan effectively for and implement this new budgeting system.

I am confident that the Army has fulfilled President Carter's expectations for zero-base budgeting and the implementing instructions of the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB). We are no longer novices in the ZBB trade and our experience continues to grow. We are well situated to turn out an even better product for the FY 1980 budget as we further refine our ZBB techniques and procedures.

Clifford L. Alexander, Jr.
Secretary of the Army

...stone Of Zero-Base Budgeting Implementation

Chronology of 1977 Army ZBB Implementation

March 18—DA Instructions for Base Operations Issued
April 8—Army ZBB Concept Briefed to OSD
June 8—DA ZBB Implementation Instructions for O&M, Army; O&M, Army Reserve; and Reserve Personnel, Army Issued to Major Commands
July 25—Major Commands ZBB Submission to DA
Aug. 22—Sept. 20—DA Budget Review Committee Action on FY 1979 Budget Submissions
Sept. 30—Submit FY 1979 Army Budget Request to OSD

instructions for major commands such as Forces Command or U.S. Army Europe. The concept study group evolved into the ZBB implementation group with larger membership and representation from each Department of the Army (DA) appropriation/ program director. ZBB instructions were distributed on June 8 to 19 major commands or agencies.

This was timely since installations were nearing completion of their ZBB submission for base operations, and major commands would be prepared to aggregate them and staff develop the mission portions of their operations and maintenance accounts. Major command submissions, in turn, were due to Department of the Army by July 25.

The implementation group's final task was to develop detailed ZBB procedures for DA staff preparation and review of the FY 1979 budget submission. Procedures, formats, and decision unit structure had to be compatible with those prescribed by OSD and OMB. Chart 1 illustrates the type and number of decision units employed at each budget preparation.

Virtually all decision units afford alternative resource levels, are mutually exclusive, and can be aggregated at successively higher management levels.

Chart 3 illustrates that portion of the Army FY 1979 budget that will be zero-based at each level.

Installations prepared ZBB submissions for the base operations segment of Operation and Maintenance, Army (OMA) and Army Reserve (OMAR). This constitutes about 10 per cent of the Army Budget. Major commands zero-based all of OMA, OMAR and Reserve Personnel, Army (RPA) which comprise 32 per cent of the total. However, they were indirectly involved in an additional 34 per cent by providing input to the DA appropriation proponent. The Materiel Development and Readiness Command (DARCOM) is a case in point for procurement and research and development (R&D). DA, of course, zero-based the total across all Army appropriations.

DECISION UNITS

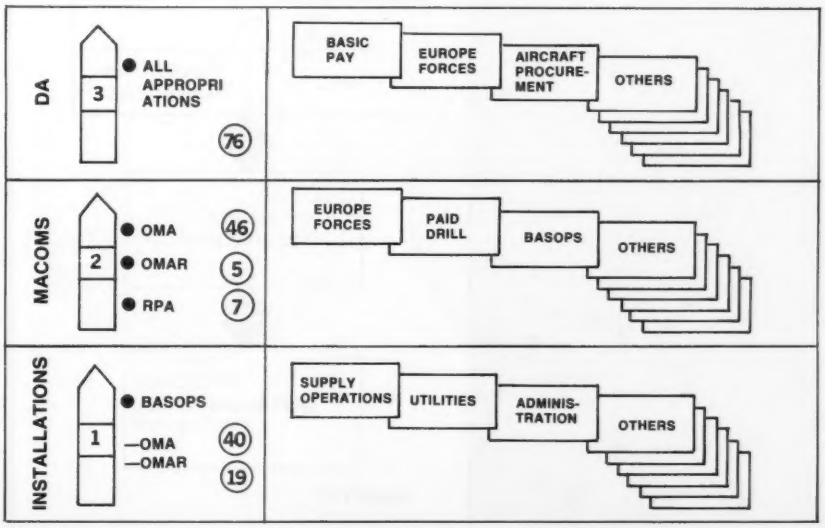
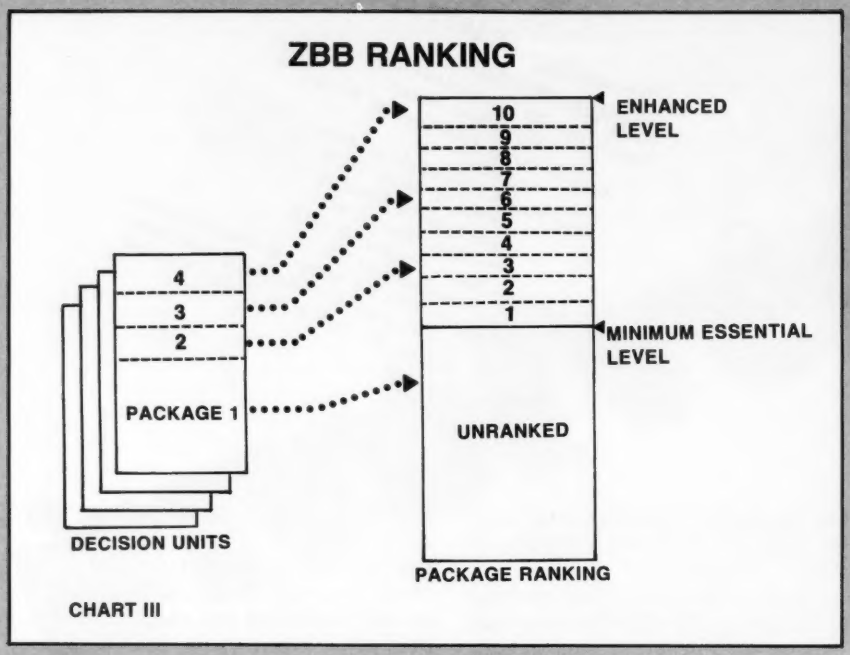
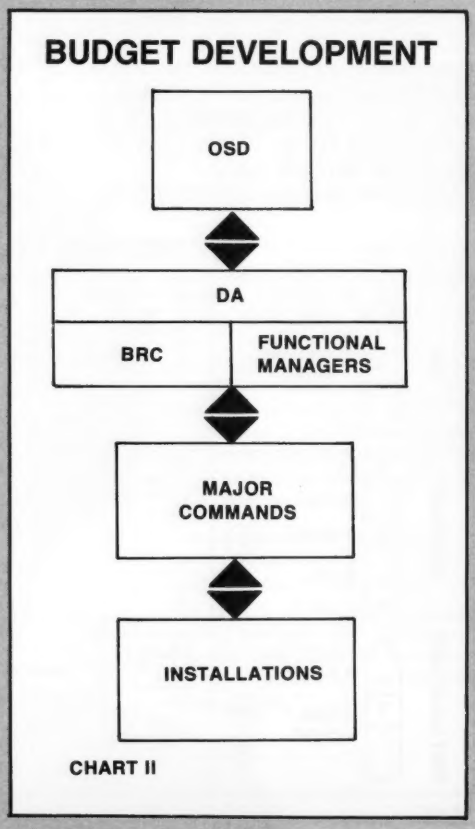


CHART I





Involvement in Building the Budget

Army involvement in zero-basing the FY 1979 submission was broad-based despite the limited time to provide guidance down through all command echelons with a budget response requirement from installation all the way through DA headquarters.

Army Budget Review Process

The DA Budget Review Committee (BRC), composed of appropriation/program directors and Army Secretariat representatives, provides broad-based participation in budget formulation. During the period Aug. 22-Sept. 20, appropriation directors were to brief the BRC on both their traditional and ZBB submissions. Committee actions on these submissions in the past were directed at challenging the justification, accommodating new requirements which emerged subsequent to the program cycle, and a general "fine tuning" of Army programs. The BRC has the added responsibility this year of integrating the ranking decision packages from all appropriations.

A New Challenge

The ranking process requires that decision packages which fall within the minimum level be clearly identified but not ranked. These packages share a common priority designation of Number One. Packages that fall between the minimum and enhanced fiscal levels will be prioritized. The real challenge facing the BRC this

year is the decision process which will prioritize operation and maintenance, military personnel, procurement, R&D and military construction decision packages into an integrated ranking scheme. The Army staff is currently developing an allocation criteria, supportive of Army mission priorities, that can be used by the BRC in the final ranking process.

Outlook for FY 1980 and Beyond

The Army's experience base with ZBB is very broad as a result of all management levels participating in the process. Lessons-learned were shared during a three-day conference at Department of the Army Headquarters with major command representatives. Building from the platform of experience, prospects are good for improving the ZBB process at least in three areas:

- Army installations could zero-base mission as well as base operations accounts next year.
- The appropriation structure used for constructing decision units this year has served well. Army will continue to explore other structures that may make the resource allocation process more exacting and responsive to Army missions and priorities. The mission-oriented resource categories currently under study offers that possibility.
- Finally, Army should introduce zero-basing techniques during the FY 1980 program cycle. This will permit more comprehensive analysis of the impact of alternative resource levels or alternative ways of attaining objectives. The process overall will be more orderly and less time-constrained than when initiated in the budget cycle. The budget cycle can then refine the ZBB product emanating from the program.

SEGMENT of ARMY BUDGET ZERO-BASED FY79 POM LEVELS

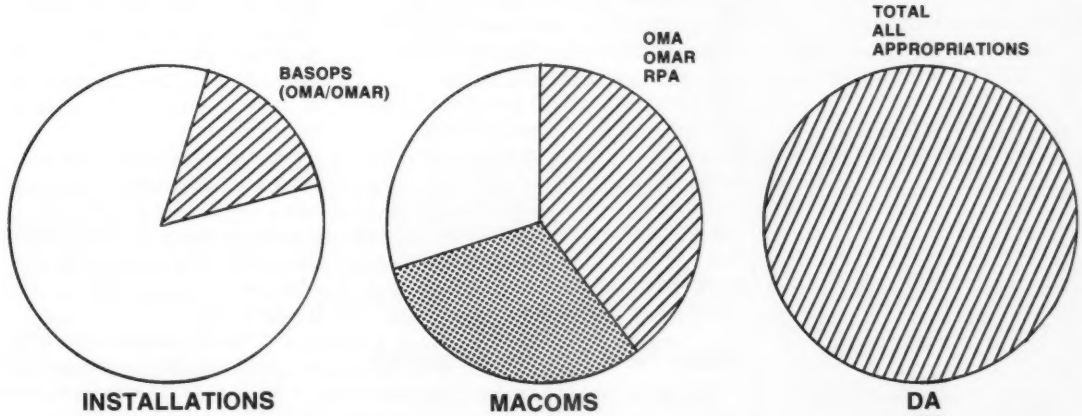


CHART IV

ZBB IN THE NAVY— FOR SOME THIS IS THE SECOND SECOND

The Department of the Navy is fortunate in that it has recent experience in certain aspects of zero-base budgeting. The Senate Appropriations Committee in reporting out the FY 1977 Department of Defense Appropriations Bill (in July 1976) noted deficiencies in the justification materials submitted by the Services for operation and maintenance funds. The Committee selected the Navy as a test-case for a new approach. The Committee requested that, along with the conventional budget for FY 1978, the Navy submit its operation and maintenance request using a zero-base technique.

The Navy submission to the Congress in response to this request provided a thorough introduction to that aspect of ZBB which involves the "comprehensive review of objectives and requirements." While previous budget review procedures called for an annual reaffirmation of continuing resource requirements, the FY 1978 ZBB experiment provided for a carefully structured examination and justification of objectives and requirements. This more detailed review generated a large volume of justification material. Specifically, the normal "Operation and Maintenance, Navy Congressional Justification" forwarded to the Congress covered about 160 pages. The zero-base budget justification which addressed the same appropriation exceeded 1,300 pages.

The ZBB experiment provided new insights into Navy programs to all levels of management and review. While the FY 1978 ZBB experiment addressed only the Navy operation and maintenance appropriation, the Marine Corps was actively involved in the deliberations which preceded the budget call and concurrently developed a ZBB posture for application to Marine Corps programs in FY 1979. The entire Navy Department then commenced the FY 1979 budget cycle having benefited materially from the FY 1978 experiment.

Major New Efforts Required

While the Navy's early start helped considerably, much had to be done to comply with President Carter's February letter calling for ZBB implementation throughout the Federal Government. The President's directive applied to the entire budget, not merely one appropriation; it involved full-scale implementation of ZBB concepts, including ranking and alternative levels which were not covered in the Navy's earlier efforts. Moreover, the President's requirement is not for an off-line test—it is for actual application.

Following the initial research and study which must precede an effort of this magnitude, the Navy directed considerable effort to the task of indoctrinating its many components in the principles of zero-base budgeting. This indoctrination has been accomplished throughout the Navy Department through lectures, seminars, directives, special bulletins and video tape presentations. While these educational efforts must continue, Navy feels that a sufficient understanding of ZBB now exists to facilitate a transition into this approach to programing and budgeting.

The Navy Department plan of action for implementation of ZBB for FY 1979 is necessarily transitional. The Navy Department's implementation plan provides the necessary flexibility to provide for optimal results within the Navy, while meeting the requirements for submission to the Secretary of Defense. Specific zero-base

TIME AROUND

TIME AROUND

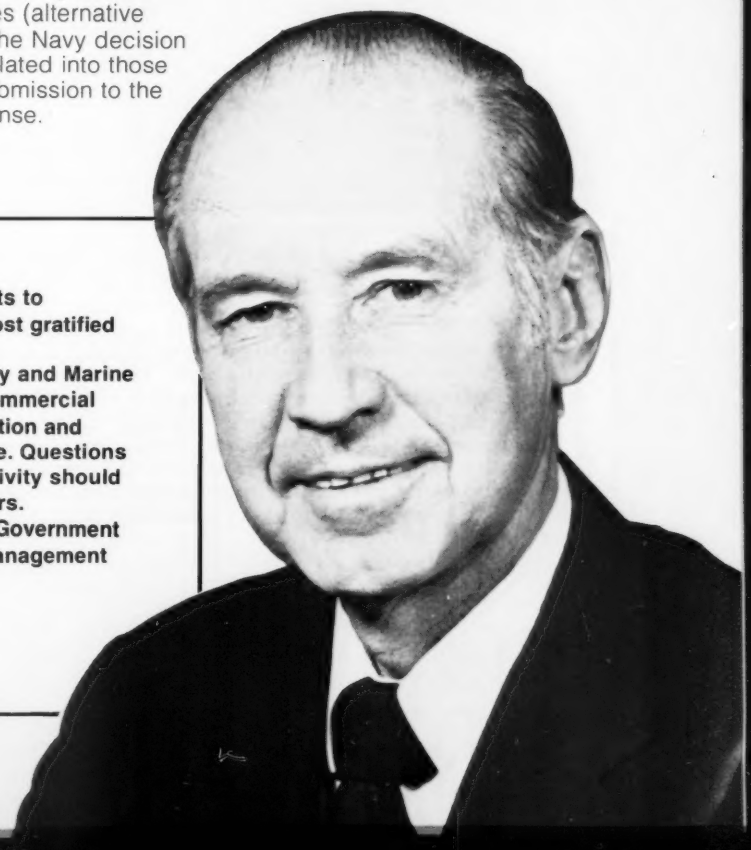
budgeting directions to the fleet and shore activities and the Marine Corps were contained in the Navy comptroller's initial guidance for the preparation and submission of the FY 1979 budget estimates. This annual directive provides detailed budget preparation guidance. The basic information requirements contained in this directive were recast in zero-base form. Additionally, the guidance designated major commands (second echelon managers within the Navy) as decisions units and directed them to examine funding level alternatives to their individual programs using the fiscal level contained in the Program Objectives Memorandum submitted to the Secretary of Defense in May as a base line. These commands and the Marine Corps were directed to provide funding alternatives which, in total Navy Department terms, range from eight per cent above to nine per cent below the Program Objective Memorandum fiscal base line, and to assign a priority to each of their funding alternatives. When assembled, budget submissions from the several major commands and Marine Corps will contain the basic characteristics of a zero-based budget in that each decision unit will be accompanied by several decision packages (alternative funding levels). The Navy decision units will be translated into those prescribed for submission to the Secretary of Defense.

The Navy Department looks forward to the FY 1979 budget submission with the confidence that comes with solid preparation. While total compliance with all of the theoretical principles of zero-base budgeting may not take place in their first year due to its lateness of introduction, the substance of this new budgeting process has been integrated into the Navy planning, programing, and budgeting system.

In my view of the Department of the Navy's efforts to implement the zero-base budgeting system, I am most gratified to observe that a major effort is directed at a truly comprehensive bottoms-up justification for all Navy and Marine Corps programs. In my recent experience in the commercial world, the practice of full zero-base budget justification and explanation has been a fact of life—and a useful one. Questions are regularly asked as to whether a program or activity should be funded at all—let alone increased over past years.

I see the zero-base budget as a real challenge to Government programs and budget planners and a promising management tool for the future.

W. Graham Claytor, Jr.
Secretary of the Navy



Zero-base budgeting is a new concept in DoD. However, some of the aspects are not strange to the Air Force. The Air Force resource management system has for many years emphasized lower-level manager involvement in the effective and efficient use of resources. Consequently, the transition to ZBB should be a smooth evolvement from our present way of doing business. To understand better how the Air Force actually does business, a look at how the Air Force developed the FY 79 Program Objective Memorandum (POM), will help.

In early calendar year 1977, the Air Force Board Structure, the Service's management structure, conducted an annual review of all Air Force programs at Program Element (PE) level prior to the development of the FY 1979 POM. Recognizing the need for a grass roots or bottoms-up program review, the Program Review Committee directed that this program element review consider all recommended changes against the zero-base of the existing program. During this review, each board panel consolidated the requirements of its mission area, and made prioritized recommendations to the Program Review Committee (PRC) to form the basis for further decision-making during the POM development.

Additionally, the major commands were tasked to provide inputs in the POM development process using a zero-base approach. The inputs were considered essential in providing an orderly review process, considering program alternatives, establishing program priorities, and in developing a balanced Air Force program. The inputs were submitted as prioritized listings of requirements with the supporting justifications considered necessary by the commands to maintain the existing forces or to implement programs or improvements which had been directed or authorized. These initial efforts at a "zero-based" approach to program review provided the impetus toward other implementation considerations.

Ad Hoc Group

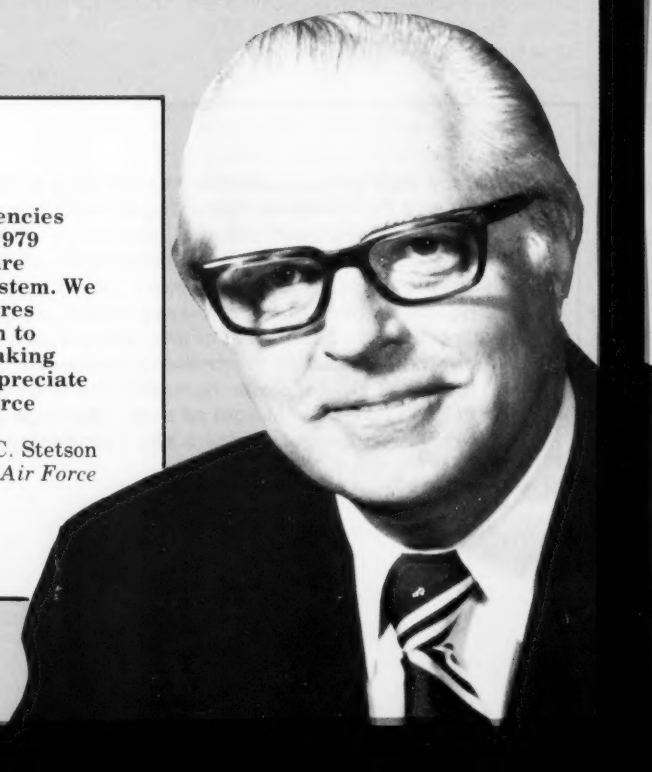
The Comptroller of the Air Force formed a group to examine how to implement zero-base budgeting in the best way. This ad hoc group developed an Air Force concept for zero-base budgeting which relied heavily on the existing decision structure. They recommend maintaining the existing PPBS in terms of the general timing and the kinds of events that take place. They determined that Air Force did not have to revise the total system; however, what flows through the system would change. The working group selected the program element as the decision unit. The program element was selected as the decision unit because:

- AF already had defined program elements which are common to all DoD activities;
- the computer structure is already established;
- our organization for monitoring program elements exists today.

In some areas, aggregation of program elements or an entirely different "slice" could be used as the decision unit. Decision

President Carter has directed that all Federal agencies begin using zero-base budgeting in the fiscal year 1979 budget cycle. As an immediate Air Force goal, we are working to insure a smooth transition to the ZBB system. We have put a high priority on developing the procedures necessary to tailor our existing management system to zero-base budgeting. This new national decision-making process can yield significant benefits, and I will appreciate full particiation and support from the entire Air Force management organization.

John C. Stetson
Secretary of the Air Force



packages would be developed by the major commands and the functional managers using guidance developed by Air Force Headquarters. The decision packages would be consolidated by the program element monitor, validated by the functional staff, ranked and reviewed by the corporate decision structure—the Air Force Board Structure. The result would be the Air Force budget submission.

Informational Letters

A series of informational letters on ZBB were sent to the field for dissemination to the lowest level of management. The purpose of these letters was to orient the staff and field organizations on the general concepts and definitions. The first letter was designed to create awareness and insure a smooth transition of ZBB into the present system of budgeting within the Air Force. The next letter expanded on the ZBB benefits. The correlation of ZBB with PPBS was explained and the field was again reassured that the current way of doing business would not be unnecessarily disrupted; rather ZBB would enhance our present way of doing business and provide us with a better product. The decision unit structure was provided for use by the field in developing their procedures for implementation. Also, the field was advised of the Air Force actions to update regulations and develop a manager's guide to be used by all levels of management on how ZBB works and is being incorporated into their budgeting process.

AIR FORCE ZBB ... THE TRANSITION SHOULD BE A SMOOTH EVOLVEMENT ...

The Air Force approach to ZBB will emphasize the operations area since the investment area is essentially developed from a zero-base. In so doing, the Zero-Base Budgeting Guide for base level resource advisors has been published to provide implementation procedures to zero-base Air Force field level operations which comprise approximately 20 per cent of the Air Force Budget. This guide also furnishes a checklist and detailed guidance on how the resource advisor will approach his task of building a budget that will satisfy his requirements through a ZBB concept. The Air Force base level financial structure will serve as a blueprint for incorporating decision units, decision packages, and ranking into the Air Force management system.

Major Commands

Although major commands may have different requirements for ZBB, budgets will be prepared by decision units and will generally parallel organizational structures. The review ranking process would be conducted within the existing base level financial committee structure. Financial working groups consisting of resource advisors would conduct initial reviews and establish priorities based on guidance from the air staff, major commands, wing and unit commanders. The wing

financial management board will re-evaluate the priorities, revise as necessary, and corporately determine the resource requirements and alternative funding levels for the base budget submission to the major command.

This approach to financial management will provide for the orderly implementation of ZBB, and, in time, will allow for a mission oriented zero-based budget. A balanced Air Force program and consequently a balanced Defense program can be maintained only through reviewing programs, identifying alternatives, establishing funding levels and prioritizing decision packages based on a total program look.

Summary

Zero-base budgeting has maximum support in the Air Force from the Secretary level down to the lowest level of management. This approach should help to identify priorities better, increase field-level involvement in the budgeting and financial management process, and improve Air Force's ability to meet the objectives of national security.

In implementing ZBB, the Air Force plans to use the appropriate features of the DoD Planning, Programming, and Budgeting System (PPBS). The Air Force FY 1979 Budget has benefited from this concept and it is anticipated that even greater dividends will result during the FY 1980 budget cycle. One major payoff from ZBB is that managers at all levels will be provided a better method of evaluating alternatives, accurately prioritizing requirements and more effectively utilizing resources. The Air Force will obtain more mission mileage out of every dollar the Congress provides. ZBB is an innovation and an opportunity that can increase the effectiveness of the Air Force.

ZERO BASE PL

By

Fred P. Wacker
Assistant Secretary of Defense
(Comptroller)

We have made considerable progress in implementing ZBB within the Department of Defense. While our progress has been uneven, this pattern of unevenness is inevitable at this stage of ZBB development. We are asking commanders and managers all down the line to develop programs and budgets in ZBB terms. This involves a considerable change in thought patterns from the traditional approach to developing a budget. ZBB does involve some changes in budgetary formats; these are relatively simple to prescribe. But that is not what's important. What counts is the mental process which takes place in developing the budget—and that's not something we can bring into being by a standard type of budget instruction.

Unevenness is inevitable, too, because of the many differences in DoD organizations and programs, and the differential impact of ZBB upon these varying elements. The investment area of our budget (procurement, RDT&E and construction) has been on a zero base, and the new approach will have less of an impact in that area than in the operations area. In the operations area, an organization that is highly centralized will have to make more changes in implementing ZBB—and will require more time—than a decentralized organization. This, too, is an important consideration in assessing progress to date.

Caution Stressed

A caution that must be stressed in the implementation of ZBB involves workload and paperwork. It's easy to see that, if the textbook approach were followed literally, mountains of paper would result. ZBB has certainly added to our workload, but not in as extreme

BUDGETING PROGRESS PROSPECTS

way as we might have feared at first. By and large, we've been able to avoid most of the pitfalls.

The ZBB effort, as outlined by President Carter and as we have been implementing it in DoD, involves a good bit more than would be conveyed by the phrase "zero-base budget" in a literal sense. The phrase, in itself, connotes no more than the need to justify one's entire budget request: don't start with what you had last year, start with zero.

ZBB, as the President uses the term, involves much more than that: alternative budget levels, ranking systems, grass-roots involvement, and improved planning. In the narrow or literal definition of the term we have been practicing ZBB in Defense for years; the changes we are making are necessary to comply with the term in its broader sense.

Efforts to implement ZBB have highlighted the constraints that apply to the use of resources. For example, the Congress prescribes each year a "floor" on funds for maintenance and repair of real property. ZBB—or any form of rational analysis—might indicate to a base commander that it would be better to spend more money repairing tanks and less painting buildings. Where constraints exist, he cannot make such a shift. We in OSD are going to have to take the lead in this matter. We must seek relief from the Congress wherever possible. At the same time we'll have to make sure that we are complying with congressional restraints in the most effective way, and not unduly restricting ourselves.

A matter that is of immense importance in implementing ZBB

(Continued Next Page)

is that of participation and trust by various echelons. ZBB demands a good deal of human nature: that a person share with those up the line his best thinking on ways to cut his budget, and that those up the line do not use unfairly the information to the originator's disadvantage. ZBB in this respect is similar to other budget reform efforts which foundered on precisely this point. All of us are going to be tested. If we don't pass, our ZBB implementation efforts will fall short of the objectives.

We have learned much in our ZBB implementation efforts in this first half-year, and we have accomplished much. I am proud to have been a part of the effort, and I look forward to working toward the completion of this task assigned by the President.

COMMANDERS DIGEST

ZERO BASE BUDGETING

DoD's Budgetary Reform

Vol. 20, No. 17
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WHO'S NEWS IN DEFENSE

Honors

U.S. Air Force Research and Development Awards for 1976 were awarded to two Air Force professors—**Maj. Robert A. Rappold,** 36, an associate professor of mathematics at the Air Force Academy, and **1st Lt. Stanley R. Robinson,** 29, an assistant professor of electrical engineering at the Air Force Institute of Technolgy.

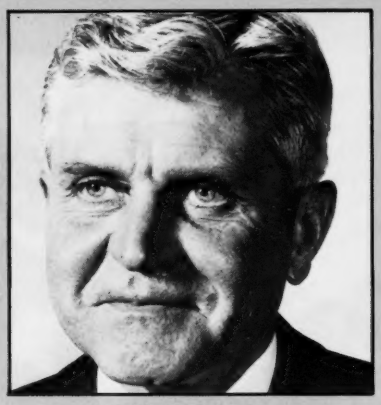
Reassignments

Maj. Gen. Abner B. Martin, B-1 System program director, Air Force Systems Command, will become Director, Defense Mapping Agency and be promoted to lieutenant general.

RAdm. Fred H. Baughman, vice commander of the Naval Air Systems Command, has been named project manager, LAMPS MK III Program (helicopter antisubmarine warfare) to upgrade the level of program management.

Radm. William J. Crowe, Jr., Commander, Middle East Task Force, has been named to be Deputy Chief of Naval Operations (Plans, Policy and Operations) and senior Navy Member of the Military Staff Committee of the United Nations. He has been nominated for promotion to vice admiral.

Radm. James B. Stockdale, Deputy Director of Strategic Plans, Policy, Nuclear Systems and National Security Council Affairs Division, in the Office of the Chief of Naval Operations, will

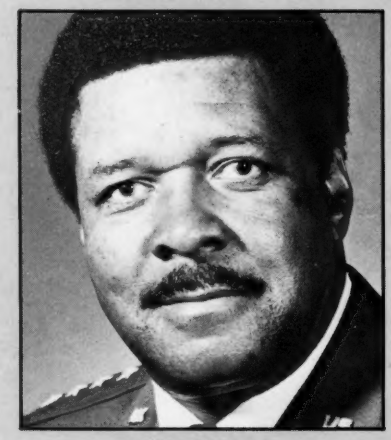


RAdm. Stockdale

become President of the Naval War College. The former prisoner of war in Vietnam has been nominated for promotion to vice admiral.

Extension

Gen. Daniel James Jr., commander-in-chief, North American Air Defense Command (NORAD) and commander-in-chief, Aerospace Defense Command (ADCOM), was extended by the President in both posts until May 1, 1978.



Gen. James

Retirements

Lt. Gen. Richard R. Taylor, the Surgeon General, U.S. Army, is to be placed on the retired list in grade.

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